Performance and Prospects of Indo-Nepal Economic Cooperation Since 2008

Synopsis

Submitted in

Partial fulfilment for the degree

of

Doctor of philosophy

(Economics)

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August, 2018

INTRODUCTION

Economic cooperation between India and Nepal is sole for friendship and cooperation between them characterised by open border. Their connection designed by sustained standing of economic, cultural social, and family linkage between people living Nepal and India that is hall mark of the trade relationship. The trade and financial assistance between two is more essential these days because of the essential for build up a realistic and constructive approach for the progress of both the countries. More or less six million Nepali's occupied employment in India and there are six million Indian's who have made Nepal their own home. Workforce of Nepal can get employment in India without any work permit, bank account and AADHAR card. Therefore, the trade and other related relationship between Nepal and India has its own significance. Trade relationship between these two countries often goes beyond the economic reason significantly influenced by the social-ethical norms and values. Both the countries have comparative cost advantages in trading amongst themselves for several reasons. Economical transport cost is seen as another important factor determining the volume of trade between these countries. In view of the rising energy costs, it often considered that the transport costs are likely to rise so that the transport cost advantage to both countries trading with each other is likely to increase in future. This would further increase the potential for trade between these countries, on the other hand, remarks that the economic cooperation between India and Nepal is based on the movements of goods and services across Nepal-India border of about 1,600 km. The drive is free and impulsive. This movement further accelerated by the movement of people for economic interests, social and marriage relations. The cultural ties and non-existence of visa system have created better environment for the conduction of free trade between the two countries. Prime Minister Narendra Modi's two day visit to Nepal, during 3-4 August 2014 that marked new bond. Mr. Modi argued that "the friendship between India and Nepal live long, and Nepal rise higher than Himalayas. The Prime Minister also conveyed his liability to Nepal's development and promised to take all necessary steps to take the relations into a new height. Moreover, with repeated emphasis on sovereignty and assurance of non-interference in internal affairs of Nepal, he made a successful attempt to win the hearts and minds of the Nepalese people and dispelling India's image as a hegemonic power to a certain extent. Prime Minister showed his willingness to revise the 1950 treaty of Peace and Friendship and issue of revision of treaty stayed key agenda in bilateral talks. The Revision or adjustment of that treaty will serve the interests of

both countries. India will get an opportunity to neutralise the anti-India perception while for Nepal there is a chance to shed perennial ambiguities and take a futuristic approach on its relationship with India. Mr. Modi extensive support to Nepalese constitution makers and political leaders and conveyed best wishes of the government and people of India to the Nepalese leadership and people for their commitment to propagate the new constitution by early on next year. Nepal is facing constitutional crisis since the Constituent Assembly was dissolved without drafting a new constitution in 2012. Prime Minister Modi hoped that the Constituent Assembly would draft a constitution to support federal and democratic political structure and promote equality in the country. He Assure to the political leaders of Nepal for all necessary helps to bring the constitution on time. Although, two day visit of Indian Prime Minister Mr. Modi to Nepal, during 3-4 August 2014 make a new chapter of Indo Nepal economic cooperation. The Development partnership another important devices of economic cooperation India always being committed for inclusive development of the Himalayan state and extended two lines of credit and supported almost $ 100 million and $250 million to government of Nepal. The development partnership spans a wide arc, with India building highways, bridges, optical fibre links, medical colleges, trauma centres, polytechnics, schools, hospitals and health centres. For river training and embankment manufacture, the Indian government has been liberal with money and talent for strengthening and extension of embankments along Lalbakeya, Bagmati and Kamla rivers. Besides, there is a second export-import bank line of credit for $250 million and another $125 million for the power transmission line upgrades. Almost 450 small development projects being undertaken in various districts of Nepal have done a world of good to ordinary Nepalese people. There are remarkable success stories of some of these projects. At the moment over 525 Indian companies doing business from manufacturing to tourism sector that has created 58,161 jobs. India is the key source of foreign investment for Nepal. The total project cost of 525 Indian companies is Rs. 6661.28 crore out of which the share of direct foreign investment (FDI) is Rs. 3480.95 crore. According to the Indian Embassy, Indian companies are also the biggest investors in Nepal. Their share of the total approved FDI proposal is 47.5 percent. During middle of 2013, 303 manufacturing 125 services, 54 tourism, 7 agro- based business, 17 constructions, 13 electricity and 6 minerals in Indian companies work in Nepal. But China is the second largest investor's country in Nepal, where 478 companies have created 26,651 jobs in the country. In 2012-13, twenty four new Indian companies started trading in Nepal with the creation of 1754 jobs. And further hopes for more investment from India to Nepal depend upon political stability of the both countries. There are some major Indian companies

investing in Dabar, Hindustan unilever, Punjab National Bank (PNB), state bank of India (SBI), Bharat sanchar Nigam limited (BSNL), Telecommunications consultants India limited (TCIL) , Indian Insurance Corporation, Asian Paints, TATA project and GMR Intra Nepal. However both the country proved to path breaking in mapping new horizon in the old age relations. In fact the Indian life time is vital for substance and growth of Nepal. It is by for the greatest source of imports to Nepal as well as its primary country exports. India provides almost 25 commodities to Nepal under the free trade and also free convertibility of its national currency with the full capital account convertibility but huge imbalance in the export to import ratio. Thus Nepal faces a phenomenal balance of trade deficit problem on an average of 71.8 percent of total trade.

OBJECTIVES

1. To analyse the performance and prospects of India- Nepal economic cooperation
2. To examine the trade policies and procedures adopted by the nations to promote trade between the two.
3. To investigate the nature of India's balance of trade with Nepal
4. Identify the further scopes in Indo-Nepal economic cooperation.

SOURCES OF DATA AND METHODOLOGY OF THE STUDY

The researcher used comparative methodology in his synopsis with a view to pursue the objectives of this research. The proposed research will use statistical method like compound annual growth rate, coefficient of variation, correlation and reciprocity index etc. and also econometric method will be used wherever applicable. Present research work is based on the secondary data, which obtain from different institute, centre and ministry in the form of journals, books, report, and working & discussion papers. The main sources of data are International Trade centre , Ministry of Commerce, economic surveys of the government of India, federation of Indian chamber of commerce (FICCI), Indian institute of commerce (IIFT), publications from trade and export promotion centre, National planning commission of Nepal, Newspaper, Magazines, websites, Net, Article, Research papers etc.

HYPOTHESIS

The research study would proceed with the following hypothesis.

H01: Trade relations between India and Nepal have not been significant during the study period

HA1: Trade relations between India and Nepal have been significant during the study period.

H02: The commodity compositions of India's trade with Nepal have not undergone essential diversification

HA2: The commodity compositions of India's trade with Nepal have undergone essential Diversification

REVIEW OF LITERATURE

The contemporary research work deliberated to observe India's Commercial Collaboration with Nepal. An inclusive relevant review of literature to the area of research is necessary as it places the research study in its proper outlook by representing the mass of work already done. Review of literature also delivers the related knowledge to support the researcher in designing and analyzing the research work. The reviews throw light on different angles of India's Economic Cooperation with Nepal.

Nisha Taneja, Subhanil Chowdhury and sharvani parkash (2011) in this paper authors demonstrated the situation Indo-Nepal economic cooperation with the concentration of trade treaties. They argued that Indo-Nepal Trade Treaty of 1996 was a historic landmark of economic cooperation between them. It is important for both countries to prepare areas for a more comprehensive economic settlement, effective regulatory structure and policy framework. In spite of this schoolwork provide significant ideas for contemporary study but

Shahnawaz Alam (2015) in his paper has tried to analyse the prospects and retrospect of indo-Nepal trade. The author adopted regression analysis for analyse future prospects and reciprocity index for balance of trade which is useful for examining prospects and retrospect between two countries. He observed that the two way trade between India and Nepal has progressed steadily. The study of trade and other financial relation is necessary to understand the bilateral economic cooperation's. Although this paper considers trade cooperation only and neglects invisible economic cooperation between them.

Tariq Rashid Wani (2015) this paper attempts to uncover the Indo-Nepal relations, the author has tried to explain the political and economic prospects of the Indo-Nepal relations. The author further stated that this journey opened a new chapter in the Indo-Nepal Relations. It was feared in the people of Nepal that the new government in India could work for the restoration of Monarchy. He also argued that both countries supported new development projects, border talks for peace and security and border infrastructure to speed up the implementation of the development objective. This study also gives clear image of India- Nepal relation but flow of assessment is quite outdated and the need to be updated.

Kavitha K K (2016) in his paper shows the better situation indo-Nepal bilateral trade. He mainly concentrated on visit of the prime minister and his promised to revise the 1950 Treaty of Peace and Friendship to take all needed steps to take the relations into a new height with the repeated emphasis on sovereignty and assurance of non- interference in internal affairs of Nepal. He also argued that Modi extended support to Nepalese constitution makers and political leaders and "conveyed best wishes of the government and people of India to the Nepalese leadership and people for their commitment to promulgate the new constitution. Both countries endorsed new developmental projects, showed their willingness to improve the peace and security at border, promised to improve border infrastructure and express concern over the slow pace of implementation of many projects. This paper gives important ideas for beginning of this study but more emphasis on political relations than economic cooperation of the both countries.

Sneha Patel (2017) in her paper shows geographical, cultural, and political history of India and Nepal has been described in detail. She argued that Nepal and India had many modes of their relationship. Their connection designed by sustained standing of cultural social and family linkage. But Nepal has used China card several times to put pressure on India. Although Nepal and India did not make any serious effort to resolve this issue in addition to a long conversation and maintain the relationship. However India and Nepal are associated with geographical, cultural and political ways, which is helpful to understanding nature of relationship between them but ignore history economic cooperation which backbone of relationships between them.

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